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## Progress at last, but still a long way to go;

**Economist.com / Global Agenda.** London: Aug 5, 2004. pg. 1

Subjects: Trade negotiation, Agreements, International trade, Agricultural subsidies

Classification Codes 9180, 1300, 8400

Document types: News

Publication title: Economist.com / Global Agenda. London: Aug 5, 2004. pg. 1

Source type: Periodical

ProQuest document ID: 679450051

Text Word Count 1002

Document URL: <http://libproxy.nps.navy.mil/login?url=http://proquest.umi.com/pqdweb?did=679450051&sid=1&Fmt=3&clientId=11969&RQT=309&V Name=PQD>

### Abstract (Document Summary)

Had negotiators meeting at the World Trade Organisation's headquarters in Geneva last week failed to come to an agreement, it might, at worst, have spelled the end of multilateral talks for several years, and the end of the WTO as anything other than a glorified court for resolving trade disputes. Faced with this prospect, negotiators hammered out a deal at the weekend, a day or so past their deadline, and five days after the round-the-clock talks had started. The agreement leaves much of the detail to further negotiating sessions, and trade wonks are greeting it as only a minor success that takes negotiators perhaps halfway towards a final Doha-round deal. But it is progress. The essence of the agreement is that rich countries will either eliminate or reduce a whole raft of agricultural subsidies.

### Full Text (1002 words)

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The European Union and the United States have agreed to remove agricultural export subsidies and to reduce other farm subsidies in a deal that rescues the Doha round of world trade talks. However, the details of the deal remain to be negotiated

AFTER the collapse of two big trade jamborees--in riot-scarred Seattle in 1999 and in Cancn, Mexico, last September--hopes for the so-called Doha round of world trade talks were not high. Launched in the Qatari capital in November 2001, in a post-September 11th mood of unity and determination, it was hailed as the "development round". Huge rich-country farm subsidies, which act as a drag on growth in poor countries, were to be top of the agenda. However, as some rich countries dug in their heels and poor countries showed that they were no longer prepared to be rolled over, that agenda ran aground. To get it moving again, negotiators accepted an arbitrary deadline, of midnight on Friday July 30th, for agreeing a framework for talks that could lead to the round's eventual completion.

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The essence of the agreement is that rich countries will either eliminate or reduce a whole raft of agricultural subsidies. This is significant because agriculture is typically a big part of developing countries' economies, but they often have trouble competing with produce from rich countries because of those countries' export subsidies. Poor nations also find it hard to compete in the home markets of rich countries because of domestic subsidies. Together, the European Union and the United States support farmers to the tune of \$300 billion a year. Clearly, the impact of farm subsidies on trade is enormous.

Under the agreement, rich countries have promised to get rid of all their export subsidies, at a date yet to be fixed. Production subsidies are to be strictly limited. There are to be new formulae for tariff-cutting in order to reduce the highest tariffs most quickly. And progress is promised on the vexed issue of cotton. America's \$3 billion-plus of annual subsidies to its 25,000 cotton farmers is a big bone of contention for would-be rival African producers. The Africans had been lobbying to have cotton removed from the general talks and dealt with separately. They failed in this, but the agreement states that the issue will be dealt with "ambitiously, expeditiously and specifically".

The immediate impact of the deal will be limited. For one thing, the deadline for the Doha round's completion has been shifted from the end of this year to the end of next year, at the earliest, and many insiders think completion unlikely before 2007. (The last round, known as the Uruguay round, was smaller and less complex, but still took eight years, against a scheduled three.) And even where agreement has been reached in principle--such as over the elimination of export subsidies--the crucial matter of a deadline has been omitted for future haggling. Furthermore, there are whole swathes where the WTO is not even pretending that it has made any progress, such as trade in industrial products or services, and on most of the so-called Singapore issues, namely investment, transparency and competition in government procurement. These were dropped from the talks at the behest of poor countries, who feel they already have enough rules to worry about.

Moreover, the agreement has loopholes and exclusions that could end up undermining the benefits of the Doha round. America, for example, has managed to exclude its "countercyclical" payments to farmers (made when prices are depressed) from the definition of agricultural production subsidies. And many poor countries will be exempt from requirements to lower tariffs. While some of those countries see this as a coup that will "protect" their industry for longer, in practice it means their consumers will have to pay more for their goods.

More importantly, the agreement leaves the door open for rich countries to protect some "sensitive" (ie, politically sensitive) products, and for poor ones to protect "special" products--ie, those they claim are key to development. Japan may even try to exclude rice, which is protected by a 490% tariff, from any final deal. Too much of this, and the Doha round would be rendered pointless.

Even so, the framework agreed at the weekend is undoubtedly a step forward, not just in putting the Doha round back on track, but also in affirming that the WTO provides a workable forum for developing global trade policy. The organisation now has 147 members, and consensus is terribly hard to achieve. That most of these members fall into one of three blocks with their own agendas--the rich world, the big developing countries (such as India and Brazil), and the mass of very poor countries--does not help.

The details of the framework agreement suggest that the rich countries are now prepared to pay a price to ensure access to the markets of the bigger, more attractive developing nations, and that price is the freeing-up of their own agricultural markets. Meanwhile, the poorest countries, in being relieved of many tariff-cutting obligations, have opted out of the process. So, though the Doha round is back on track, the WTO has, in effect, split into two tiers: one for those countries that are fully engaged in the round, and one for those that are little more than bystanders.

#### [Illustration]

Caption: The WTO's director-general almost breaks into a smile

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